LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
http://www.in.gov/legislative

FISCAL IMPACT STATEMENT

LS 6979 | **NOTE PREPARED:** Jan 19, 2011
BILL NUMBER: HB 1428 | **BILL AMENDED:**

SUBJECT: Tax Credit for Hiring Unemployed Persons.

FIRST AUTHOR: Rep. Ellspermann | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL | **IMPACT:** State
DEDICATED
FEDERAL

Summary of Legislation: This bill provides a nonrefundable $750 tax credit per employee to a taxpayer that hires an employee that has drawn unemployment funds in Indiana for at least the three previous months if the taxpayer employs the individual for at least 180 days during the taxable year. It provides that the credit is available only in years that the state unemployment rate is above 7.5 % sometime during that calendar year. It provides that the credit is reduced by any Economic Development for a Growing Economy (EDGE) tax credits attributable to the same employee, any Hoosier Business Investment (HBI) tax credits attributable to the same employee, or the amount of federal or state training grants used in the taxable year to train the employee. The bill also provides that the taxpayer may carry any excess credit over to not more than three subsequent taxable years.

Effective Date: July 1, 2011.

Explanation of State Expenditures: *Department of State Revenue (DOR)*: The DOR would incur some administrative expenses relating to the revision of tax forms, instructions, and computer programs to reflect the new tax credit. The DOR's current level of resources should be sufficient to implement the new tax credit.

Explanation of State Revenues: *Summary* - This bill provides a tax credit for businesses that hire employees that were receiving unemployment benefits in Indiana for at least three months preceding the time of the hire. The employee must be employed for at least 180 days during the taxable year in order for the taxpayer to be eligible for the tax credit. The tax credit is equal to $750 for each qualified new employee hired.

The total tax credits awarded each year under this bill would depend on the number of employees that are hired and meet the bill's qualifications. On average, the number of individuals receiving unemployment benefits for 2010 was about 80,000. If about 10% of these individuals were hired, the revenue loss could be about $6 M. The tax credits provided by this bill will be reduced by any EDGE tax credits, HBI tax credits, or federal or state training grants received during the taxable year for the same qualified new employees.

The bill also requires the state unemployment rate to be at least 7.5% during any part of the calendar year for purposes of the tax credit. The state unemployment rate has exceeded 7.5% since December 2008, and was about 9.4% as of November, 2010.

The credit is nonrefundable, but unused credits may be carried forward for no more than three years. Unused credits may not be carried back. The credit may be applied against AGI Tax, Financial Institutions Tax, or Insurance Premiums Tax liabilities. Revenue from these taxes is distributed to the state General Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DOR.

Local Agencies Affected:

Information Sources: Bureau of Labor Statistics, Local Area Unemployment Statistics; U.S. Department of Labor, Unemployment Insurance Weekly Claims Data.

Fiscal Analyst: Jessica Harmon, 317-232-9854.